

## CHAPTER 5 – FINANCIAL PERFORMANCE

### FINANCIAL STATEMENTS

éDumbe Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position

Figures in Rands	Notes	2014	Restated 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Inventories	2	412,399	388,710
Receivables from exchange transactions	3	1,637,482	9,501,908
Receivables from non-exchange transactions	4	1,867,702	6,634,011
VAT Receivables	12	37,270	153,378
Cash and Cash Equivalents	5	1,464,739	2,385,903
<b>Total Current Assets</b>		<b>5,419,594</b>	<b>19,063,910</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	6	206,339,435	192,664,651
Heritage Assets	6	147,149	147,149
Intangible Assets	7	47,883	80,410
Investment Property	8	432,000	432,000

Non-current receivables	9	137,648	137,008
<b>Total Non-Current Assets</b>		<b>207,104,116</b>	<b>193,461,217</b>
<b>Total Assets</b>		<b>212,523,710</b>	<b>212,525,127</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Current Portion of Long-Term Liabilities	10	1,790,321	1,541,756
Payables from Exchange Transactions	11	13,591,210	7,986,287
Retention		526,364	387,303
Consumer Deposits	13	227,463	226,366
Unspent Conditional Grants and Receipts	14	5,769,446	6,560,408
Current Provision	15	-	1,536,000
<b>Total Current Liabilities</b>		<b>21,904,805</b>	<b>18,238,121</b>
<b>Non-Current Liabilities</b>			
Non-Current Provision	15	1,900,877	1,652,937
Retirement Benefit Obligation	16	4,578,000	3,835,000
<b>Total Non-Current Liabilities</b>		<b>6,478,877</b>	<b>5,487,937</b>
<b>Total Liabilities</b>		<b>28,383,682</b>	<b>23,726,057</b>

**NET ASSETS****184,140,028****188,799,070****NET ASSETS**

Housing operating Account

**17**

100,348

100,348

Accumulated Surplus

184,039,680

188,698,722

**TOTAL NET ASSETS****184,140,028****188,799,070****Balance check****0****0****eDumbe Municipality****Annual Financial Statements for the year ended 30 June 2014****Statement of Financial Performance****Figures in Rands****Notes****2014****Restated  
2013****REVENUE****Revenue from Non-exchange Transactions****76,369,524****55,485,340**

**Property Rates****6,683,880****7,133,839**

Property Rates

**18**

5,162,086

5,953,379

Property Rates - Penalties Imposed and Collection Charges

**18**

1,521,793

1,180,460

**Transfer Revenue****68,082,699****47,439,556**

Government Grants and Subsidies

**19**

68,082,699

47,439,556

**Other Revenue****1,602,946****911,945**

Fines

**21**

1,602,946

785,551

In-kind Donations and Assistance

**47**

-

126,393

**Revenue from Exchange Transactions****17,452,195****42,422,158**

Interest Received

**22**

197,661

228,066

Licences and Permits

1,026,745

1,047,714

Other Income

**23**

987,270

2,685,161

Rental of Facilities and Equipment

651,475

1,184,456

Service Charges

**24**

14,589,044

35,139,278

Provision for Bad Debts Adjustment

**20**

-

2,137,483

**Total Revenue****93,821,719****97,907,498****EXPENDITURE**

Audit Fees	25	1,340,088	1,237,548
Bulk Purchases	26	13,621,753	14,048,278
Contracted Service	27	1,834,104	3,574,236
Depreciation and Amortisation	6	7,427,736	7,119,791
Employee Related Costs	28	27,988,855	24,505,786
Finance Costs	29	560,119	359,858
General Expenses	30	16,531,547	20,100,228
Operational Grants expenses	31	3,781,429	4,242,054
Operating Lease	32	2,266,534	2,051,562
Provision for Bad Debts	20	16,807,525	-
Remuneration of Councillors	33	4,450,998	3,719,477
Repairs And Maintenance		1,379,264	1,354,064
<b>Total Expenditure</b>		<b>97,989,953</b>	<b>82,312,880</b>
Impairment losses		19,150	2,630,195
Loss on Disposal of Assets		491,490	-
Actuarial Loss		81,121	-
<b>SURPLUS / (DEFICIT)</b>		<b>(4,759,994)</b>	<b>12,964,423</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>(4,759,994)</b>	<b>12,964,423</b>

Check to Statement of Net Changes

-

-

eDumbe  
Municipality

Annual  
Financial  
Statements for  
the year ended  
30 June 2014

Statement of  
Budget versus  
Actuals

Figures in Rands	Orig inal Bud get	Budge t Adjust ment	Varian ce Origin al Budge t vs Adjust ed Budge t	Final Budget	Actual Outcome	Variance Budget vs Actual	Va ria nce co m m en t Or igi na l Bu dg et vs Ad ju st ed Bu dg et	Varian ce comm ent Budget vs Actual
Financial Performance								

Property Rates	7,406,972	5,875,996	(1,530,976)	5,875,996	6,683,880	807,884	There was no much difference on the billing as such but the increase in penalties on outstanding rates has cause the increase in penalties on outstanding rates has cause the increase
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								inc re as e	
								Th er e wa s a hu ge a m ou nt wh ich wa s re ve rs ed du e to pr ovi sio n on m et er s as we ll as cli ck ov er s/ ab	
Service Charges	21,5 17,4 02	23,730, 177	2,212, 775	23,730,177	14,589,04 4	(9,141,13 3)		There was a huge amount which was reverse d due to provisio n on meters as well as click overs/ abnrmal meter reading s	

							normal meter readings	
Interest on investment	34,889	34,889	-	34,889	197,661	162,772	Reduce due six months outcome	
Rental of Facilities and Equipment	1,294,096	1,260,994	(33,102)	1,260,994	651,475	(609,519)	6 months Pro-rata lease rental was paid by Mondi instead of the total amount	

							ad of the total amount		
Fines & Licences and Permits	1,533,089	1,258,485	(274,604)	1,258,485	2,629,691	1,371,206	Reduce due six months outcome		
Transfer recognised – Operational	44,512,000	44,512,000	-	44,512,000	68,082,699	23,570,699	Reduce due based on withholding of grants		
Other owned revenue	3,429,510	6,386,856	2,957,346	6,386,856	987,270	(5,399,586)	Collection	Collection rate has an impact	(336,922.86)

								rate has an impact on the variance	on the variance	
Total revenue excl. Capital transfers & Contributions	79,727,958	83,059,397	3,331,439	83,059,397	93,821,719	10,762,322				
Employee related costs	29,554,666	30,954,040	1,399,374	32,353,415	27,988,855	4,364,560	Reduce the overtime expenditure		396,582.00	
Remuneration for Councillors	3,832,714	4,046,897	214,183	4,657,662	4,450,998	206,664	Councillors aligned to go	Increase because of the Mayor and speaker being full time from	1,048,278.00	

							zet te	being part time councill ors	
Bulk Purchases	13,660,000	13,510,000	(150,000)	13,472,361	13,621,753	(149,392)	Inc re as e in no rm al tar riff		2,044,388.00
Depreciation & Asset impairment	1,264,987	1,439,149	174,162	1,613,310	7,427,736	(5,814,426)	De pr eci ati on wa s inc orr ecl ty cal cul at ed wh en bu dg et wa s do ne	increas ed on assets based backlog assets. Prior assets were underst ated	239,733.00
Contracted Service	2,502,000	2,502,000	-	4,546,388	1,834,104	2,712,284	Ali gn ed to	Increas e in security contrac	3,924,804.00



Grants	-	-	-	3,924,804	3,781,429	143,375	No much difference	
Other expenditure	28,093,590	30,048,483	1,954,893	25,285,509	21,517,434	3,768,075	Reduce the expenditure due to uncollectable revenue	Increased due to settlement on court order as well as the training of section 57 Employees
<b>Total expenditure</b>	<b>79,027,957</b>	<b>82,620,569</b>	<b>3,592,612</b>	<b>86,213,181</b>	<b>81,201,578</b>	<b>5,011,604</b>		
<b>Surplus/ Deficit</b>	<b>700,001</b>	<b>438,828</b>	<b>(261,173)</b>	<b>(3,153,784)</b>	<b>12,620,142</b>	<b>5,750,719</b>		

Transfer recognised – Capital	21,032,000	24,832,000	-	24,832,000	24,832,000	-	Adjustments from Doras included during the adjustment budget	Unspent conditional grants
Surplus or Deficit after capital transfer & Contributions	21,732,001	25,270,828	(261,173)	21,678,216	37,452,142	5,750,719		
Capital Expenditure			-	-	-	-	no adjustments as per D O	Unspent conditional grants



								R A	
<b>Cash flow</b>									
Net cash from/ used operating	11,679,234	11,679,234	-	11,679,234	19,649,336	(7,970,102)			
Net cash from/ used investing	(12,560,277)	(12,560,277)	-	(12,560,277)	(21,561,482)	9,001,206			
Net cash from/ used financing	(40,121)	(40,121)	-	(40,121)	990,982	(1,031,102)			
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(921,164)</b>	<b>(921,164)</b>	-	<b>(921,164)</b>	<b>(921,165)</b>	<b>1</b>			
Cash and cash equivalents at the beginning of the year			-	-	2,385,904				
<b>Cash and cash equivalents at the end of the year</b>	<b>(921,164)</b>	<b>(921,164)</b>	-	<b>(921,164)</b>	<b>1,464,740</b>				

Annual Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Housing Fund	Accumulated surplus	Total net assets
Balance at 01 July 2012	100,348	175,780,464	175,880,812
Surplus for the year		12,964,423	12,964,423
Correction of an error (Note 36)		(147,116)	(147,116)
		100,951	100,951
Restated balance at 30 June 2013	100,348	188,698,722	188,799,070
Restated balance at 01 July 2013	100,348	188,698,722	188,799,070
Changes in net assets		100,951	100,951
Surplus for the year		(4,759,994)	(4,759,994)
Balance at 30 June 2014	100,348	184,039,680	184,140,028

**2014 Check to Statement of  
Financial Position**

- - (0)

**2013 Check to Statement of  
Financial Position**

0 0 -

0

Finance lease

- -

Medical retirement payments

743,000 (45,73  
6)

Current Portion of Long-Term Liabilities

247,982 (451,3  
66)

**Net cash flows from financing activities**

**990,982 (497,1  
02)**

**NET INCREASE / (DECREASE) IN CASH  
AND CASH EQUIVALENTS**

**(921,165) (1,274  
,704)**

**CASH AND CASH EQUIVALENTS AT THE  
BEGINNING OF THE YEAR**

**2,385,904 3,660,  
607**

**CASH AND CASH EQUIVALENTS AT THE**

END OF THE YEAR

1,464,740

2,385,  
904

eDumbe Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Checks  
and  
balances

Figures in Rands

2014

Res  
tate  
d  
201  
3

201  
4  
Res  
tate  
d  
201  
3

2 Inventories

Consumable stores

412,  
399

388,  
710

412,  
399

388,  
710

- -

Inventories consist of goods which are held for own use include papers, blocks, pipe and electricity material.

The valuation roll include housing stock (RDP houses) for an amount of R3 049 000 which are still to be transferred to the community.

3 Receivables from exchange transactions

3.1 Net Balance (Electricity and Refuse removal)

Receivables

1,77	9,63
5,13	8,91
0	6

Electricity

1,13	5,03
3,60	1,55
7	2

Refuse removal

641,	4,60
------	------

Less: Non current debtors

Total

Consumer debtors

Electricity

Refuse Removal

Total

524

(137  
,648  
)

1,63  
7,48  
2

58,6  
85,8  
11

7,36  
3

(137  
,008  
)

9,50  
1,90  
8

58,1  
31,8  
26

- (0)

Less: Provision for bad debts

Electricity

Refuse Removal

Total

Less: Non Current debtors

Total

Net Receivables

(4,2  
04,3  
89)

(3,9  
87,0  
91)

(52,  
706,  
292)

(44,  
505,  
820)

(56,  
910,  
680)

(48,  
492,  
911)

(137  
,648  
)

(137  
,008  
)

(137  
,648  
)

(137  
,008  
)

1,63

9,50





7,48	1,90	(0)	-
2	8		

3.2 Age analysis

Ageing: Refuse Removal

Current (0 – 30 days)

719,  
750

31 - 60 Days

183,  
966

442,  
326

61 - 90 Days

457,  
558

437,  
748

91 - 120 Days

452,  
582

425,  
741

Greater than 120 days.

52,2  
53,7  
10

47,0  
87,6  
18

0



Total

53,3  
47,8  
15

49,1  
13,1  
83

Ageing: Electricity

Current (0 – 30 days)

2,06  
7,41  
7

31 - 60 Days

572,  
636

771,  
556

61 - 90 Days

560,  
971

324,  
714

91 - 120 Days

769,  
770

166,  
998

Greater than 120 days.

3,43  
4,61  
8

5,68  
7,95  
7

Total

5,33  
7,99  
5

9,01  
8,64  
3

-

Total Ageing

58,6	58,1	0 (0)
85,8	31,8	
11	26	

### 3.3 Receivables from non-exchange and Exchange transactions

Summary of Debtors by Customer Classification

Re sid enti al	Indu stri al / Com merc ial	Nati onal and Pro vinci al Gov ern men t
-------------------------	---	---

as at 30 June 2014

31 - 60 Days

845 ,74 1	838, 963	130, 190
-----------------	-------------	-------------

61 - 90 Days

786 ,74	519, 129	105, 200
------------	-------------	-------------

91 - 120 Days

+ 365 Days

Sub-total

Less: Provision for doubtful debts

Less Non-current portion

Total debtors by customer classification

7

757

,07 533,  
7 577

88,8  
93

58,

997 3,66  
,82 4,58  
9 6

2,76  
0,42  
1

61,

387 5,55  
,39 6,25  
5 5

3,08  
4,70  
4

-

60, -  
854 4,19  
,00 8,16  
0 3

-  
2,84  
9,31  
4

-

137  
,64  
8

-

395 1,35  
,74 8,09  
6 2

235,  
390

0

as at 30 June 2013

31 - 60 Days

61 - 90 Days

91 - 120 Days

121 - 365 Days

+ 365 Days

2,138,508	503,019	598,394
940,501	317,699	270,291
749,185	158,957	106,534
605,878	130,926	78,025
53,442,487	3,369,678	2,149,332

Sub-total

57,		
876	4,48	3,20
,56	0,27	2,57
0	9	7

Less: Provision for doubtful debts

-		
50,	-	
337	3,50	
,89	0,60	
8	4	-

Total debtors by customer classification

7,5		3,20
38,	979,	2,57
662	675	7

3.4 Reconciliation of bad debt impairment provision

Balance at the beginning of the year

48,4	47,6
92,9	47,3
11	02

Contributions to provision

8,41	845,
------	------

7,76 9	609
-----------	-----

56,9	48,4
10,6	92,9
80	11

### 3.5 Receivables from exchange past due but not impaired

Based on the past experience the municipality has taken a decision to impair the debts at 100% of the residential outstanding balance and 100% of the commercial debts. The municipality has experience the non-payment by consumers which has contributed to the cash flow problem. As at 30 June 2014, R 1 775 130 (June 2013, R 9 501 907.65) was the total receivables not impaired.

The ageing of these receivables is as follows:

1 month past due

756, 602	2,78 7,16 7
1,01	1,21

2 months past due

3 months and above past due

8,52 9	3,88 2	
-	5,50 0,85 8	
1,77 5,13 0	9,50 1,90 8	0.00

### 3.6 Receivables from exchange past due impaired

The amount of the provision was R 56 910 680 as of 30 June 2014 and (2013 R 48 492 911)

The ageing of these receivables is as follows:

3 to 4 months

1,67 2,82 2	4,43 8,79 7
55,2	44,0

Over 4 months

37,8	54,1
58	13

56,9	48,4	
10,6	92,9	
80	11	-

### 3.7 Consumer debtors pledged as security

Consumer debtors have not been pledged as security or encumbered or encumbered in any way.

### 3.8 Credit quality of consumer debtors

Consumers debtors are billed monthly, at latest by the end of each month.

The Council has resolved not to charge interest on outstanding debtor account balances at 30 June 2014.



The Council will at a future date determine the terms and conditions for interest to be charged on overdue accounts and the rate thereof.

The municipality enforces its approved credit control policy to ensure the recovery of Consumer Debtors.


The municipality receives applications for services that it processes. Deposits are required to be paid for all electrical accounts opened. There are no consumers who represent more than xxx% of the total balance of Consumers Debtors.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.


The fair value of consumer debtors was determined after considering the standard terms and conditions of agreement entered into between the municipality and Consumer Debtors as well as the current payment ratios of the municipality's consumers.

Credit quality of consumer debtors

Consumers debtors are billed monthly, at latest by the end of each month.



The Council has resolved not to charge interest on outstanding debtor account balances at 30 June 2014. However the Council at a future date with reconsider charging the interest on all outstanding debtors.



The municipality enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The municipality receives applications for services that it processes. Deposits are required to be paid for all electrical accounts opened.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of consumer debtors was determined after considering the standard terms and conditions of agreement entered into between the municipality and Consumer Debtors as well as the current payment ratios of the municipality's consumers.

4    Receivables from non-exchange transactions

4.    Net balance Rates  
1

Traffic fines

351,746	6,305,200
1,515,956	328,811
1,867,702	6,634,011

4.    Ageing: Rates  
2

Current (0 – 30 days)

438,759

31 - 60 Days

(48,804)

438,759

61 - 90 Days

400,551

438,672

91 - 120 Days

677,729

877,431

Greater than 120 days.

10,313,068

6,712,620

Total

11,342,543

8,906,242

4. Reconciliation of bad debt impairment provision  
3

Balance at the beginning of the year

2,601,04  
2

5,584,1  
33

Reversal of provision

-

(2,983,  
091)

Contributions to provision

8,389,75  
5

-

10,990,7  
97

2,601,0  
42

4. Receivables from non-exchange past due but not impaired  
4

Based on the past experience the municipality has taken a decision to impair the debts at 100% of the residential outstanding balance and 100% of the commercial debts. The municipality has experience the non-payment by consumers which has contributed to the cash flow problem. As at 30 June 2014, R 351 746 (June 2013, R 6 305 200) was the total receivables not impaired.

The ageing of these receivables is as follows:

1 month past due

(48,804)

438,75  
9

2 months past due

400,551

438,75  
9

3 months and above past due

-

5,427,6  
82

351,746

6,305,2  
00

4. Receivables from exchange past due impaired  
5

The amount of the provision was R 10 990 797 as of 30 June 2014 and (2013 R 2 601 042).

The ageing of these receivables is as follows:

	3 to 4 months	677,729	1,316,190
	Over 4 months	10,313,068	1,284,851
		10,990,797	2,601,042

5 Cash and Cash Equivalents

Cash and cash equivalents consist of:

First National Bank	Call Account - 61328003233	535,830	542,850
First National Bank	Call Account - 62033660376	3,508	3,473
First National Bank	Call Account -		

	62219848746	2,018	1,998	
Grindrod Bank	Investment Account	379,339	1,607,706	
Petty Cash	Petty Cash	1,226	45	
First National Bank	Primary Bank Account	541,674	229,832	
First National Bank	Call Account 62421843807	1,145	-	
Bank Balances		1,464,739	2,385,903	- -
Bank Overdraft		-	-	- -

The following are the Bank balances at 30 June 2014



Bank Account

Balance as per Bank Statement

Balance as per Bank Account - Cash book

Variance

First National Bank

Call Account -  
61328003233

535,830

535,830

-

First National Bank

Call Account -  
62033660376

3,508

3,508

-

First National Bank

Call Account -  
62219848746

2,018

2,018

-

Grindrod Bank

Investment  
Account

379,339

379,339

-

Petty Cash

Petty  
Cash

1,226

1,226

-

First National Bank

Primary Bank  
Account

505,473

541,674

(36,201)

First National Bank

Call Account  
62421843807

1,145

1,145

-

Bank - Account type - Account Number

-

-

-

		-	
1,428,539	1,464,739	(36,201)	-

The following are the Bank balances at 30 June 2013

Bank Account		Balance as per Bank Statement	Balance as per Bank Account - Cash book	Variance
First National Bank	Call Account - 61328003233	542,850	542,850	-
First National Bank	Call Account - 62033660376	3,473	3,473	-
First National Bank	Call Account - 62219848746	1,998	1,998	-
Grindrod Bank	Investment Account	1,607,706	1,607,706	-

Petty Cash

Petty  
Cash

45

45

-

First National Bank

Primary Bank  
Account

160,85  
4

229,832

(68,978  
)

First National Bank

Call Account  
62421843807

-

-

-

Bank

Account Type -  
Account Number

-

-

-

2,316,9  
26

2,385,90  
3

(68,978  
)

-

6    Property, Plant and Equipment

6.  
1

2014

	Cost / Valuation	Depreciation and Impairment losses	Carrying Value
Land	22,352,343	-	22,352,343
Buildings	72,311,593	(2,662,594)	69,648,999
Electricity	11,819,348	(394,045)	11,425,302
Roads and Infrastructure	89,436,572	(3,408,552)	86,028,021
Vehicles	661,867	(192,651)	469,215
Other Property, Plant and Equipment	5,284,048	(756,517)	4,527,531
Assets under construction (WIP)	11,888,024	-	11,888,024

Total

213,75	(7,414,3	206,33
3,794	59)	9,435

Reconciliation of property, plant and equipment at 30 June 2014

Land

Openi ng balanc e	Additi ons	Disp osals	Trans fers	Impair ment	Deprecia tion	Total
----------------------------	---------------	---------------	---------------	----------------	------------------	-------

22,35	-	-	-	-	-	22,352,
2,343						343

Buildings

68,71	3,593,	-	-	-	2,662,59	69,648,
7,892	701				4	999

Electricity

9,526,	2,292,	-	-	-	394,045	11,425,
894	454					302

Roads and Infrastructure

72,33	17,10	-	-	-	3,408,55	86,028,
3,156	3,417				2	021

Vehicles

948,715	-	-	286,848	-	192,651	469,215
---------	---	---	---------	---	---------	---------

Other Property, Plant and Equipment

4,947,152	833,042	-	496,146	-	19,150	737,368	4,527,531
-----------	---------	---	---------	---	--------	---------	-----------

Assets under construction (WIP)

13,838,499	6,968,252	-	(8,918,728)	-	-	11,888,024
------------	-----------	---	-------------	---	---	------------

Total

192,664,651	30,790,866	-	782,994	(8,918,728)	19,150	7,395,210	206,339,435	0
-------------	------------	---	---------	-------------	--------	-----------	-------------	---

21,872,138

(21,852,987)

19,151 2013

Land

Cost /  
Valuation

Depreciation and  
Impairment  
losses

Carrying Value

22,352,  
343

-

22,352,  
343

Buildings

71,807,  
370

(4,100,6  
52)

67,706,  
718

Electricity

9,952,9  
41

(426,048  
)

9,526,8  
94

Roads and Infrastructure

75,505,  
854

(3,172,6  
98)

72,333,  
156

Vehicles

1,171,6  
44

(222,929  
)

948,71  
5

Other Property, Plant and Equipment

6,744,1  
29

(1,796,9  
77)

4,947,1  
52

Assets under construction (WIP)

14,849,  
674

-

14,849,  
674

Total

202,38	(9,719,3	192,66
3,954	03)	4,651

-

Reconciliation of property, plant and equipment at 30 June 2013

Land

Openin g balanc e	Corre ction of Errors	Resta ted Openi ng Balanc e	Additi ons	Trans fers	Impair ment	Deprecia tion	Total
22,352 ,343	-	22,35 2,343	-	-	-	-	22,352, 343

Buildings

71,781 ,420	-	71,78 1,420	25,95 0	-	1,377,2 67	2,723,38 6	67,706, 718
----------------	---	----------------	------------	---	---------------	---------------	----------------

Electricity

9,313, 941	-	9,313, 941	639,0 00	-	127,70 7	298,341	9,526,8 94
---------------	---	---------------	-------------	---	-------------	---------	---------------

Roads and Infrastructure

75,505	-	75,50	-	-	13,537	3,159,16	72,333,
--------	---	-------	---	---	--------	----------	---------





Reconciliation of carrying value

Historical  
Buildings

Paintings and  
Artefacts

Other\*

Total

as at 30 June 2014

Cost/Revaluation

-	-	147,149	147,149
---	---	---------	---------

Accumulated impairment losses

-	-	-	-
---	---	---	---

-	-	147,149	147,149
---	---	---------	---------

as at 30 June 2013

Cost/Revaluation

-	-	147,149	147,149
---	---	---------	---------

Accumulated impairment losses

-	-	-	-
-	-	147,149	147,149

Heritage Assets pledged as security

All municipal heritage assets are not pledged as security

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

7 Intangible Assets

Intangible Assets at 30 June 2014

Intangible assets

Cost / Valuation	Amortisa- tion / Impairm- ent / Moveme- nts	Carryin- g value
---------------------	--	---------------------

206,938	159,055	47,883
---------	---------	--------

0

Reconciliation of Intangible Assets at 30 June 2014

Open- ing balan- ce	Addi- tions	Amortisa- tion	Total
------------------------------	----------------	-------------------	-------

Intangible assets

80,41

0	-	32,527	47,883
---	---	--------	--------

80,410	-	32,527	47,883
--------	---	--------	--------

Intangible Assets at 30 June 2013

Cost / Valuation	Amortisa- tion / Impairm- ent / Moveme- nts	Carryin- g value
---------------------	--	---------------------

Intangible assets

206,938	126,528	80,410
---------	---------	--------

0

# Reconciliation of Intangible Assets at 30 June 2013

## Intangible assets

Report ed previo usly	Corre ction of Error s	Resta ted Openi ng Balan ce	Additio ns	Amortisa tion	Total
77,888	-	77,888	33,204	30,682	80,410
77,888	-	77,888	33,204	30,682	80,410

All of the municipality's intangible assets are held under freehold interests and no intangible assets have been pledged as security for any liabilities of the municipality.

8 Investment Property

Non-current assets

Investments property

432,000	432,000

Investment property

2014			2013 Restated		
Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
432,000	-	432,000	432,000	-	432,000

Reconciliation of investment property – 2014

	Open ing balan ce	Additio ns	Deprecia tion	Total
Developed land	432,000	-	-	432,000

Reconciliation of investment property – 2013

	Repo rted previ ously	Corre ction of Errors	Restat ed Openin g Balanc e	Deprecia tion	Total
Developed land	432,000	0	432,000	-	432,000



All of the municipality's Investment Properties are held under freehold interests and no Investment Property has been pledged as security for any liabilities of the municipality.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

A register of Investment property is available at the municipal offices.

To include all relevant notes after PPE is complete.

9      Non-current receivables

Long term debtors	606,653	400,68
-------------------	---------	--------

Less: Transfer to current receivables

(469,004 )	(263,673)
<hr/>	<hr/>

137,648	137,008
<hr/>	<hr/>

The amount for long-term debtors relates to arrangements made by debtors for longer than twelve months for electricity accounts.

10 Current Portion of Long-Term Liabilities

10 Long-term liabilities  
.1

Development Bank of South Africa

1,356,012	1,251,366
-----------	-----------

Finance cost

119,590

104,64  
6

Less: Current portion transferred to current liabilities

(1,475,6  
01)

(1,356,  
012)

Non Current Liabilities

-

-

Current liabilities

At amortised cost - DBSA Loan

1,475,60  
1

1,356,0  
12

Miscellaneous Income

312,857

165,35  
9

Travel Card Lodge

1,863

20,386

1,790,32  
1

1,541,7  
56

- -

This is a loan granted to the municipality by the Development Bank of South Africa at an interest rate of 6.75% per annum, redeemable in six monthly instalments, including interest, in April and October until 2014.

# 11 Payables from Exchange Transactions

Trade creditors

Payments received in advance

1,014 (267)

Suspense Account Expense

(77,355) (77,355)

Accruals

11,591,8 6,377,5  
61 97

Salary Suspense

- -

Staff leave accrual

1,377,26  
3

1,103,7  
74

Staff Bonus accrual

697,928

582,53  
8

Other

500

-

Total

13,591,2  
10

7,986,2  
87

- -

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the Municipal Finance Management Act. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Payments received in advance is due to payments received for hall hire and prepaid electricity.

Payments received in advance are consumer debtors' accounts paid in advance.

Staff leave and bonuses accrued to the staff of the municipality on an annual basis, subject to certain conditions.

The fair value of creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

12 VAT Receivables

VAT

(37,270)	(153,378)	

Reconciliation

VAT on Accrued Debtors

1,214,51  
4                      1,002,1  
32

VAT on Accrued Creditors

(518,710  
)                      (584,13  
5)

VAT as per VAT 201

(717,305  
)                      (442,26  
2)

Audit Adjustment

(15,769)                      (129,11  
2)

(37,270)                      (153,37  
8)                      (0)

VAT is payable on the payments basis. Once payment is received from debtors VAT is paid over to South African Revenue Services.

13 Consumer Deposits

Electricity

227,463	226,366	-

Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated.

In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer deposits approximate their fair values.



The fair value of Consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

14 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts comprise:

Integrated National Electrification Grant

1,205,043	73,163
-----------	--------

Municipal Infrastructure Grant

5,081,734	6,799,943
-----------	-----------

Municipal System Improvement Grant

(483,502)	(1,258)
-----------	---------

Finance Management Grant

(292,920)	(283,280)
-----------	-----------

Extended Public Works Programme Grant

(9,420)

(9,420)

Art and Culture Grant

268,511

(18,740  
)

Total

5,769,44  
6

6,560,4  
08

- -

Movement during the year:

Balance at the beginning of the year

6,560,40  
8

348,23  
6

Additions during the year

67,291,7  
36

52,733,  
800

Income recognition during the year

(68,082,  
699)

(46,521  
,628)

5,769,44  
6

6,560,4  
08

0 -

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited.

Refer to note 18 for reconciliation of grants from National and Provincial Government.

15 Current and Non-Current Provision

Non-Current Provision

1,900,877	1,652,937

Provision for landfill Site

Opening balance

1,652,937	1,437,336
-----------	-----------

Movements

247,941	215,600
---------	---------

Closing Balance

1,900,877	1,652,937	-
-----------	-----------	---

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal.

At 30 June 2014 the municipality will incur estimated rehabilitation costs of R 1 900 877 (2013: R 1 652 937) to restore the landfill site at the end of its useful life, estimated to be 7 years. The amount of rehabilitation is dependent on future costs, technology, inflation and site consumption. The discounted rate of the provision was 15% in 2014.

The landfill provision represents management's best estimate of the Municipality's liability.

The landfill site assessment was conducted by Mams (Pty) Ltd. The landfill site is expected to be fully operational until (date) and it is assumed that the rehabilitation will only take place thereafter. The calculation of the provision amount was recalculated in 2012/2013 financial year using the same report.

The report was concluded on 28 May 2012

Current Provision

-	1,536,000
---	-----------

15.4 Provision For Law Suits

Opening balance

1,536,000	-
-----------	---

Movements

(1,536,000)	1,536,000
-------------	-----------

Closing Balance

-	1,536,000	-
---	-----------	---

Total Provisions

1,900,877	3,188,937	-
-----------	-----------	---

16 Retirement Benefit Obligation

Total Net Retirement Benefit Obligation

4,578,000	3,835,000
-----------	-----------

16 Pension benefits

## Post retirement pension plan

The municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The findings are extracts from the interim actuarial valuation at 31 March 2012 released 12 October 2012.

## Superannuation Fund

The last valuation carried out on the Superannuation Fund as at 31 March 2012 reflected:

- The memorandum account in respect of pensioners was 96% funded.

- There was a deficit in respect of active members which is being met by the surcharge of 9.5% of pensionable salaries, this surcharge is payable for 8 years with effect from 1 July 2012.

- The required contribution rate for the future service exceeded the contribution rate payable by 3.63% of pensionable salaries.

- The statutory actuarial valuation carried out on the Superannuation Fund as at 31 March 2012 reflected:

- The memorandum account in respect of pensioners was fully funded.

- There was a deficit in respect of active members and it is recommended that the surcharge of 7% be increased to 9.5% of pensionable salaries and that the repayment period be set at 8 years at which time the deficit is expected to be fully funded. The required contribution rate for the future service exceeded the contribution rate payable by 3.63% of pensionable salaries.

#### Retirement Fund

The interim valuation carried out on the Retirement Fund as at 31 March 2012 reflected:

- The memorandum account in respect of pensioners was fully funded on the discounted cash flow method.

- The Funds liabilities for the contributory members exceeded the value of the assets; it is expected that the shortfall will be funded by a surcharge of 17% of pensionable emoluments by 2015.



- In order to fund the deficit, the surcharge should be increased from 17% to say, 17.5% form 1 July 2012 and the required period be extended from 5 years to 8 years

Provident Fund

The latest statutory valuation of the Provident Fund (defined contribution) as at 31 March 2012 revealed that the fund was in a sound financial position.

16  
.2 Post-employment medical liability

Post retirement medical subsidy

Employee Benefit

Non-Current Liabilities

3,318,000	2,769,000

Financial variables

The two most important financial variables used in our valuation are the discount rate and salary inflation. The assumption has been made for these variables as follows:

Discount rate	8.94%	7.89%
CPI (Consumer Price Inflation)	7.05%	6.14%
Medical Aid Contribution inflation	8.05%	7.14%
Net effective discount rate	0.82%	0.70%

Membership data

Current (in-service) members

Male Female Total

Number of active employees

14 28 42

Subsidy weighted average age

40.9 38.5 39.3

Subsidy weighted average past service

9.5 7.2 8

Number of Spouses

6 4 10

Average monthly subsidy payable during the retirement

R 1,440.00 R 1,410.00  
0 1,390.00 0

Continuation members (Pensioners)

Number of continuation members

0 2 2

Subsidy weighted average age

N/A 73.5 73.5

Average monthly subsidy

N/A R 3,070.00  
3,070.00 0



## Subsidy Arrangements



The Municipality has agreed to subsidise the medical aid contributions of retired members in the following way:

- All new pensioners (that are currently still in service) and their dependants will receive a 60% subsidy.
- All existing continuation members (pensioners) and their dependants will continue to receive a 100% subsidy.

## Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

## Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

#### Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

#### Spouses and Dependents

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

#### Decrements withdrawal



Age band

Withdra  
wal rate  
Males

Withdra  
wal rate  
Female  
s

Age 20 -24

16%

24%

Age 25 - 29

12%

18%

Age 30 - 34

10%

15%

Age 35 - 39

8%

10%

Age 40 - 44

6%

6%

Age 45 - 49

4%

4%

Age 50 - 54

2%

2%

Age 55 - 54

1%

1%

Age 60+

0%

0%

16

.3 Long Service Awards Liability

Non-Current Liabilities

1,260,00	1,066,0
0	00

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises of a certain number of additional vacation leave days. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2013 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2013 by ZAQ Consultants and Actuaries.

The future cost for ensuing year is estimated to be R143 000

and the interest cost for the year is estimated to be R81 000.

Membership data

	No. Of Active employ ees	Salary weighted average age (Yrs)	Weight ed averag e past service (Yrs)
Male	80	41.68	7.74
Female	54	40.50	8.92
Total	134	41.22	8.2

Long Service Awards Liabilities

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service.



Formula used to calculate Total long service benefit award	Total Long Service Benefit Awards (% Annual Salary)	Completed Years of Service
--	---	----------------------------

$(10/250) \times \text{Annual Salary}$	4%	10
$(20/250) \times \text{Annual Salary}$	8%	15
$(30/250) \times \text{Annual Salary}$	12%	20, 25, 30, 35, 40 and 45

#### Financial variables

The two most important financial variables used in our valuation are the discount rate and salary inflation. The assumption has been made for these variables as follows:

Discount rate	7.96%	7.40%
CPI (Consumer Price Inflation)	6.33%	5.66%

Normal Salary increase rate

7.33%

6.66%

Net effective discount rate

0.59%

0.69%

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal Decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age band	Withdra wal rate Males	Withdra wal rate Female s
Age 20 -24	16%	24%
Age 25 - 29	12%	18%
Age 30 - 34	10%	15%
Age 35 - 39	8%	10%
Age 40 - 44	6%	6%
Age 45 - 49	4%	4%
Age 50 - 54	2%	2%
Age 55 - 54	1%	1%

Age 60+

0%

0%

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost

143,000.00

-

Interest cost

81,000.00

-

Expected return on assets

-

-

Actuarial (Gain) / Loss

(30,000.00)

-

194,000.00

-

17 Housing operating Account

Opening balance

100,348

100,348

Movements

-

-

Closing balance

100,348

100,348

-

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sales of houses.

Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Part of the funding is included in the Municipality's main bank account.

18 Property Rates

Property rates received

State Owned Property

4,293	2,915
1,779,092	1,639,045
1,385,597	1,325,135
1,169,628	1,851,976
823,477	1,134,309

Residential

State Owned Land

Commercial

Agricultural

Total

5,162,08  
6

5,953,3  
79

- -

Property Rates - Penalties Imposed and Collection Charges

1,521,79  
3

1,180,4  
60

- -

Assessment rates are levied on the value of land and improvements. Valuations on land and buildings are performed every four years. The last valuation was done in 2012/2013 with effective date of the new General Valuation Roll being 01 July 2014.

Valuations

State Owned Property

130,496,  
000

89,253,  
000

Residential

403,665,  
000

405,57  
5,000

State Owned Land

120,000

1,300,0

			00
Commercial	108,145,000	273,508,000	
Agricultural	478,015,000	372,935,000	
Municipal Properties	31,590,000	-	
Churches (Place of worship)	27,700,000	-	
Vacant land	13,715,000	11,012,000	
	<u>1,193,446,000</u>	<u>1,153,583,000</u>	

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.



The first R15, 000 of the valuation of residential properties are exempt from calculation of rates. In addition the municipality has approved an extra R 45 000 to be exempted from rates on all residential properties. The municipal properties and churches are also exempted from paying rates.

Rates are levied on a monthly basis with the final date for payment being 15th of the following month.

Interest at 18% per annum on all arrear assessment rates and a collection fee of 10% on assessment rate instalments, which are two or more months in arrears.

The new general valuation was implemented as from 01 July 2013.

Rebates are granted to:

Residential property owners	-	-
Commercial property owners	10%	10%
Agricultural property owners		

Other (Vacant land)

10%

10%

19 Government Grants and Subsidies

Equitable share

40,352,000

33,472,000

Integrated National Electrification Grant

7,668,120

-

Extended Public Works Programme Grant

-

1,009,420

Subsidy Community Participation

-

200,000

Development Planning Shared Services Grant

-

386,050

Municipal Infrastructure Grant

16,378,9

9,248,7

Municipal System Improvement Grant

45

01

1,372,244

821,554

Finance Management Grant

1,659,641

1,783,280

Art and Culture Grant

651,749

518,552

68,082,699

47,439,556

- -

Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and to fund operations.

Balance unspent at beginning of year

-

-

Current year receipts

40,352,000

33,472,000

Conditions met-transferred to revenue

(40,352,000)

(33,472,000)

-

-

-

-

Conditions still to be met - remain liabilities (see note 10).

Integrated National Electrification Grant

Balance unspent at beginning of year

73,163

73,163

Current year receipts

8,800,000

-

Conditions met-transferred to revenue

(7,668,1

-

20)		
1,205,043	73,163	-

Conditions still to be met - remain liabilities (see note 10).

The project for electrification of Lunenburg is currently under construction. The delay is caused due to the fact that the project is implemented in an area where the municipality doesn't have the electricity license. The municipality depends on Eskom on the license issues.

#### Municipal Infrastructure Grant

Balance unspent at beginning of year

6,799,944	586,644
-----------	---------

Current year receipts

14,660,736	15,462,000
------------	------------

Conditions met-transferred to revenue

(16,378,	(9,248,
----------	---------

945)	701)	
5,081,735	6,799,944	-

Conditions still to be met - remain liabilities (see note 10).

Due to unforeseen circumstances the municipality failed to spend 100% of the Municipal Infrastructure Grant allocation. The biggest problem was the contractors who failed to perform. They didn't meet the targets as per the contract. The Projects are still in-progress and will be completed in 2014/2015 financial year. This has been disclosed on capital commitments

#### Municipal Systems Improvement Grant

These funds are to be used for the updating of the Municipality's financial policies, financial management system and fixed asset register to comply with the new GRAP Standards.

Balance unspent at beginning of year

(1,258)

20,296

Current year receipts

890,000

800,000

Conditions met-transferred to revenue

(1,372,244)

(821,554)

(483,502)

(1,258)

- -

Conditions still to be met - remain liabilities (see note 10).

The municipality has overspent on the Municipal System Improvement grant.

Finance Management Grant

Balance unspent at beginning of year

(283,280 )

-

Current year receipts

1,650,000

1,500,000

Conditions met-transferred to revenue

(1,659,641)

(1,783,280)

(292,920 )

(283,280)

- -

Conditions still to be met - remain liabilities (see note 10).

The municipality has overspent on the Municipal Finance Management grant.

Art and Culture Grant



Balance unspent at beginning of year

(18,740)

12

Current year receipts

939,000

499,800

Conditions met-transferred to revenue

(651,749)  
)

(518,552)  
)

268,511

(18,740)  
)

- -

Conditions still to be met - remain liabilities (see note 10).

Arts and Culture grant is used by libraries for the operations. The library services failed to implement their plans 100% which lead to the unspent grant.

Extended Public Works Programme Grant

Balance unspent at beginning of year

(9,420)

-

Current year receipts

-	1,000,000	
-	(1,009,420)	
(9,420)	(9,420)	- -

Conditions met-transferred to revenue

Conditions still to be met - remain liabilities (see note 10).

Condition was met in 2012/2013. There was no allocation in 2013/2014 for EPWP.

20 Provision for Bad Debts Adjustment

Provision for Bad Debts Adjustment

16,807,525	(2,137,483)	0 (0)
------------	-------------	-------

Reconciliation of Provision for Bad Debts

Trade debtors

Provision for Bad Debts Adjustment calculation

Balance at beginning of the year	51,093,952	53,231,435
Movements	16,807,525	(2,137,483)
Balance at the end of the year	67,901,477	51,093,952

This adjustment is due to align the previous years provision for bad debts with the one for current year under review

21 Fines

21  
.1

Library Fines

Traffic Fines

Meter tampering Fines

-

-

1,515,956

401,693

86,990

55,048

1,602,946

456,740

-

21 Fines  
.2

264,198

456,740

Traffic fines not paid

1,251,758

328,811

1,515,956

785,551

-

22 Interest Received

Bank

76,023

37,605

Investments

121,639

190,557

Other

-

-

197,661

228,066

-

0

Split sources of interest received for current AND prior year

23 Other Income

Insurance claim	48,792	-
Certificate rates clearance	8,667	8,952
Tender document fees	114,300	57,000
Bonuses wood sales	-	1,988,206
Miscellaneous	-	202,016
Insurance	-	81,862

Fees hall hire-ppb

59,502

30,951

LGSETA subsidy

-

135,934

Skill centre hire fees

-

1,900

Fees hall hire Dumbe

200

9,050

Burial fees

10,991

17,260

Fees hall hire-ppb

-

(10,953)

Fees hall hire Dumbe

-

(6,250)

Building plan fees

11,756

26,480

Temporary licences

-

20,430

Meter box sales

-

55,390

Connection fees

	22,211	61,312	
School crossing	-	5,580	
Sport tournaments	-	42	
TLB and graders	27,712	-	
Mayoral marathon	416	-	
Other income	679,222	-	
Building and structural fees	3,500	-	
	987,270	2,685,161	- -

The amounts disclosed above for other income are in respect of services rendered which are billed to or paid for by the users as the services are required according to approved tariffs.



24 Service Charges

Sale of electricity

10,315,4  
49

29,396,  
510

Refuse removal

4,273,59  
5

5,742,7  
68

14,589,0  
44

35,139,  
278

- -

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to tariffs approved by Council of eDumbe Local Municipality.

25 Audit Fees

External Audit – 2014

1,340,08  
8

1,237,5  
48

1,340,08  
8

1,237,5  
48

- -

26 Bulk Purchases

Electricity

13,621,7  
53

14,048,  
278

- -

Bulk purchases are in respect of electricity bill paid to ESKOM.

27 Contracted Service

Contracted services are in respect of:

Internal Audit

284,124 935,788

Photocopies

Security

1,549,980 2,638,448

Lease of Vehicles

-

1,834,104 3,574,236

- -

28 Employee Related Costs

Employee related cost salaries and wages

19,708,9  
07

17,878,  
179

Bonus

1,770,62  
7

1,174,8  
80

Employee related costs-Contributons for PAYE, UIF, Pensions and Medical aids

3,961,04  
7

3,379,5  
01

Post-employment benefits - Pension - Defined contribution plan

-

-

Travel, motor car, accommodation, subsistence and other allowances

2,072,48  
4

1,731,4  
40

Overtime payments

475,790

341,78  
6

27,988,8  
55

24,505,  
786

- -

Remuneration of Municipal Manager

Annual Remuneration

544,884

510,00  
0

Housing Allowance

132,482

124,000

Travel, motor car and other allowance

192,312

180,000

Contributions to UIF, Medical and Pension Funds

38,462

45,733

Annual Performance Bonus

108,977

-

Total

1,017,117

859,733

Remuneration of Chief Financial Officer

Annual Remuneration

502,696

450,005

Housing Allowance

129,676

167,267

Travel, motor car and other allowance

106,539

132,727

Contributions to UIF, Medical and Pension Funds

98,913

8,893

Annual Performance Bonus

102,000

-

Total

939,825

758,893

Remuneration Director Technical Services

Annual Remuneration

384,624

300,000

Housing Allowance

51,283

40,000

Travel, motor car and other allowance

157,529

122,870

Contributions to UIF, Medical and Pension Funds

47,604

43,274

Annual Performance Bonus

-

-

Total

641,040

506,14

Remuneration Director Corporate Services

Annual Remuneration

417,259

390,545

Housing Allowance

55,945

52,364

Travel motor car and other allowance

139,863

130,909

Contributions to UIF, Medical and Pension Funds

27,973

33,513

Annual Performance Bonus

51,283

-

Total

692,323

607,331

Remuneration Director Community Services

Annual Remuneration

384,629

360,00

Housing Allowance

69,932

65,455

Travel, motor car and other allowance

186,480

174,541

Contributions to UIF, Medical and Pension Funds

-

7,364

Annual Performance Bonus

51,283

-

Total

692,323

607,364

Remuneration Director Planning & Development

Annual Remuneration

352,572

360,000

Housing Allowance

70,514

66,000

Travel, motor car and other allowance

185,902

174,000



Contributions to UIF, Medical and Pension Funds

-

7,305

Annual Performance Bonus

51,283

-

Total

660,271

607,305

29 Finance Costs

Finance Leases

Bank Charges

41,435

83,784

Late payment of tax

-

-

Other interest paid

211,684

276,074

Loan

307,000

-

560,119	359,858	-

Split finance cost and write on the nature thereof

The total finance cost is calculated using the effective interest rate, on Financial Instruments not held at fair value through surplus or deficit .

### 30 General Expenses

Advertising	189,123	249,022
Audit Committee	178,222	158,272
Aids Awareness	90,485	-
Bursary	-	181,100

Cleaning materials

59,457

24,300

Communication and Publicity

474,507

297,523

Community Development

670,203

-

Computer Software

63,881

209,496

Consultants Fees

1,176,451

1,710,898

Employee benefit

395,000

-

Fuel and Oil

794,999

850,547

Social Cohesion

302,108

-

Indigent Burial

105,150

68,190

Insurance

564,983

614,899

Land fil site provision expense

247,941

-

Land Zoning

204,124

364,80  
0

Leave Payout

334,728

546,00  
0

Local economy development

323,349

352,34  
6

Legal Services

1,055,67  
5

960,15  
1

Mayoral Games

-

273,59  
4

Mayoral Special Projects

191,011

375,52  
4

Membership Fees

634,634

-

Operating lease (Expense portion of the lease)

926,048

313,08  
9

Other expenses

405,228

1,583,093

Park Home (Mkhukhuze)

375,770

-

Promotions

200

56,480

Postage and courier

-

8,548

Poverty Alleviation Projects

571,958

-

Provision: Uniform /Protective Clothing

309,939

178,414

Refreshments

249,763

82,576

Regravelling of Rural Roads Projects

106,773

-

Rentals (Expense portion)

-

1,031,285

Road Transport Quality System

147,394

-

Shared Services ZDM - Planning and Development

448,083

-

Sports Tournaments

1,281,460

686,759

Stationery

238,905

209,531

Stores and materials

172,519

248,881

Settlement contingencies

138,784

1,536,000

Team Building

318,532

157,807

Telephone

441,530

509,467

Training

89,361

161,098

Travelling and subsistence

1,185,725

1,103,449

Vodacom Cell phones

684,590

491,222

Tourism projects

201,943

241,199

Valuation roll

-

1,894,530

VAT recon

-

2,333,292

Ward Committee Expense

170,000

-

Water

11,009

36,847

16,531,547

20,100,228

- -

31 Operational Grants expenses

Finance Management Grant

1,236,386

1,681,629

Municipal System Improvement Grant

-

741,723

EPWP expense

154,639

996,034

MIG expense

219,348

54,616

Community Participation Subsidy

(0)

199,500

Tourism-ZDM Publ expendi

645,702

50,000

Arts & culture expenditure

1,525,353

518,552

3,781,429

4,242,054

-



32 Operating Lease

32 At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:

.1

32  
.1 At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:

Within one year

2,266,53  
4 2,051,5  
62

In the second to fifth year inclusive

312,128 312,12  
8

After five years

-

Total

2,578,66 2,363,6  
2 90

Operating lease payments represent rentals payable by the municipality for certain photocopying machine and as well as for motor vehicles and telephonic system . Leases are negotiated for an average term of three years.

During the current year, the municipality added two vehicles on rentals in March 2014. It is also noted that the rental amount on a monthly bases changed during year it was not fixed for the whole of the financial year.

32

.2 Operating leases – as lessor

Minimum lease payments due

Within one year

1,146,897	1,147,047
-----------	-----------

In second to fifth year inclusive

4,587,588	4,588,188
-----------	-----------

After five years

16,056,558

17,205,705

Total

21,791,043

22,940,940

Operating Leases consists of the following:

Certain of the municipality's property is leased to Mondi is held to generate rental income. Rental of property is expected to generate rental yields of R1 146 897 on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years.

Mayor

698,694

537,372

Deputy Mayor

319,112

283,657

Executive Committee Members

300,471

266,670

Speaker

551,837

433,204

Councillors

2,580,884

2,198,572

4,450,998

3,719,477

- -

The Mayor is full time and is provided with an office and secretarial support at the cost of the Council. The Mayor and Deputy Mayor has use of a Council owned vehicle for official duties. Both the Mayor and Deputy Mayor has one full time bodyguard and a full time driver. The speaker of the Council is full time and is also provided with an office and secretarial support.

The municipality has provided the office of the MPAC chairperson.

34 Cash generated from / (utilised in) operating activities

Surplus / (deficit)

(4,759,994)

12,964,423

Adjustments for:

Non cash items

Depreciation

7,427,736

7,119,791

Provision for debt impairment

16,807,525

(2,137,483)

Loss on sale of assets

Impairment of assets

491,488

-

Loss on Actuarial benefit

19,150

2,630,195

81,121

-

Interest on investment

(197,661)  
)

(228,066)

Finance costs

560,119

359,858

Working Capital Movements

(Increase)/ Decrease in Inventories

(23,689)

(34,631)  
)

Change in accounting policy or prior year error

-

(126,393)

(Increase)/ Decrease in Receivables from exchange transactions

(553,344)  
)

4,270,299

(Increase)/ Decrease in Receivables from non-exchange transactions

(3,623,4  
47)

(4,251,  
732)

(Increase)/ Decrease in Consumer debtors

1,097

2,548

(Increase)/ Decrease in VAT receivable

116,108

(153,37  
8)

Increase/ (Decrease) in Retention

139,062

55,424

Increase/ (Decrease) in Provisions

(1,536,0  
00)

1,837,1  
68

Increase/ (Decrease) in Payables from exchange transactions

5,604,92  
3

(7,636,  
079)

Increase/ (Decrease) in Unspent conditional grants and receipts

(790,962  
)

6,212,1  
72

Increase/ (Decrease) in Current Portion of Long-Term Liabilities

248,565

641,75  
6

20,011,7

21,525,

0

-

94

872

35 Change in accounting policy and correction of an error

The following adjustments were made to amounts previously reported in the Annual Financial Statements arising from the implementation of new accounting policies, a change in existing policies and correction of prior period errors.

35

.1 Change in accounting policy

The GRAP standard on recognition of Traffic Fines has been amended and the municipality has implemented a change on the recognition of the Traffic Fines from cash base to accrual basis as per IGRAP1. The effective date for the standard is 01 July 2013 however the municipality started the implementation on 2012/2013 financial year. The municipality has changed its accounting policy on the fines with regards to the measurement of IGRAP1 as management is of the view that it will provide reliable and more relevant information.



Effect on the face of Statement of Financial Position

Receivables from non-exchange transactions

1,515,956	328,811
-----------	---------

Effect on the face of Statement of Financial Performance

Other Revenue

Fines

1,602,946	785,551
-----------	---------

35  
.2 Correction of prior period errors

35  
.2.  
1

During the year, the municipality prepared its Fixed Assets Register in compliance with GRAP. Pursuant to that exercise, the municipality identified certain assets that were not in the Asset Register. Backlog depreciation was then calculated on those newly identified assets.

	Previo usly stated	Currently stated	Adjust ment
Effects on the face of the Statement of Financial Position			
Accumulated Surplus	188,84 5,838	188,698, 722	(147,11 6)
Balance previously reported 2013			
Restated Accumulated Surplus			
Effects on the face of the Statement of Change in Net Asstes			
FAR closing balance corrections		16,294	
VAT year-end journals corrections			

	(39,840)	
--	----------	--

Provision for Traffic fines writte off	(64,613)	
--	----------	--

Investment account correction	117,010	
-------------------------------	---------	--

Petty cash account correction	1,181	
-------------------------------	-------	--

Correction of the duplicate for the staff consumer account deductions	17,565	
---	--------	--

Provision for Audit fees	0.48	
--------------------------	------	--

Billing suspense correction	53,355	
-----------------------------	--------	--

	<hr/>	
	100,951	
	<hr/>	

The above journals were processed direct to the accummulated surplus to correc the individual accounts

Property plant and equipment

Previo usly stated	Currently stated	Adjust ment
--------------------------	---------------------	----------------

193,78 8,389	192,811, 800	(976,58 9)
-----------------	-----------------	---------------

Effects on the face of the Notes to the Annul Financial Statements

Vehicles cost

1,612,1  
43

Adjusted cost

157,97  
9

Restated cost

1,770,1  
21

-

Accumulated depreciation

(551,00

Adjusted accumulated depreciation

3)

(47,475  
)

(598,47  
8)

-

Movement on addition

-

Movement on depreciation and impairment

(222,92  
9)

Restated Carrying amount

948,71  
5

-

Other Assets

3,892,6  
90

Adjusted cost

274,15  
5

Restated cost

4,166,8  
45

-

Accumulated depreciation

(1,684,  
937)

Adjusted accumulated depreciation

(30,057  
)

(1,714,  
994)

Movement on addition

4,292,2  
78

Movement on depreciation and impairment

(1,796,  
977)

Restated Carrying amount

4,947,152 (0)

36 Capital Commitment

Commitments in respect of capital expenditure

'-approved and contracted for

22,690,047 13,491,153

'-approved but not yet contracted for

7,650,000 8,501,000

30,340,047 21,992,153

This expenditure will be financed from



'-external sources

30,340,047	21,992,153	
------------	------------	--

30,340,047	21,992,153	
------------	------------	--

37    Unauthorised expenditure

Opening balance

76,930,679	64,666,012
------------	------------

Add: Unauthorised Expenditure - current year

6,183,353	12,264,667
-----------	------------

Employee costs

--	--

General expense include depreciation and bad debt provision

6,183,35	12,264,
----------	---------



	2019	2018
Condoned or written off by Council	3	667
Transfer to receivables for recovery-not condoned		
Unauthorised expenditure awaiting authorization	83,114,033	76,930,679

The unauthorised expenditure relates to expenditure incurred that exceeded the budget. This was due to non cash items as well as settlement and court order, It was investigated and taken to Council and due to the nature of the expenditure the council condoned the unauthorised expenditure.

### 38 Irregular expenditure

## SCM Deviations

Opening balance	5,301,465	45,531,578
-----------------	-----------	------------

Add: Irregular Expenditure - current year

18,013,6  
33

5,301,4  
65

Irregular expenditure for the year

18,013,6  
33

5,301,4  
65

Condoned or written off by Council

(14,567,  
737)

(45,531  
,578)

Transfer to receivables for recovery-not condoned

-

-

Irregular expenditure awaiting condonement

8,747,36  
1

5,301,4  
65

Incident-Awards of tenders to people in service of the state.

874,496

874,49  
6

Irregular expenditure - Non compliance with

3,445,89  
6

-

# Supply Chain Management Regulations

4,426,969	4,426,969
-----------	-----------

8,747,361	5,301,465
-----------	-----------

Irregular expenditure incurred for the current year relates to the amounts paid to Consultant fees (Nankhoo) , Security company (Ingonyama), Accommodation (Hotel 224), MIG projects (Tarpave) and Minimum Competency Level Training (Mafunisa) which were appointed during the previous years, 2010/2011 and 2012/2013 irrespectively. The appointments were done without complying with SCM regulations/ processes.

## 39 Fruitless and wasteful expenditure

Opening balance

641,614	338,353
---------	---------

Add:Fruitless and wasteful expenditure - current year

385,106	303,261
---------	---------

Condoned or written off by Council

-

-

Transfer to receivables for recovery-not condoned

(1,026,7  
20)

-

Fruitless and wasteful expenditure awaiting condonement

0

641,61  
4

(Current year expenditure were incurred due to the late payments to SARS and Eskom)

#### 40 Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviations from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by the Council. The expenses incurred as listed hereunder have been condoned.

TSS Engineering

134,440

588,24  
0

Roga Motors

783,743

279,99  
8

Vryheid Petroleum

-

266,27  
5

University of Pretoria

-

317,25  
0

Accommodation & other

822,759

893,33  
2

SYCO Machinery

-

5,911

MIG Projects Expenditure

5,819,83

822,78

RB Project Management

Nankhoo and Associates

Ihlathi Transport

ARB Electrical

Siyabonga Africa

Imalini Trading

AON Insurance

Shisalanga

SABC

Mafunisa Consulting

9	9
-	499,436
428,396	491,400
-	874,496
-	72,142
-	66,000
-	39,900
-	51,692
-	32,604
90,356	-
563,500	-

PMB TV Video Repairs Centre

160,000

-

BTMN Engineering Consultants

7,668,120

-

Ingonyama Security

1,542,480

-

Total amount considered

18,013,633

5,301,465

Total amount condoned

-

Deviations awaiting authorization

18,013,633

5,301,465

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the Annual Financial Statements.

The following items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1) (a) to (d) as stated above.

TSS Engineering

134,440	588,240
---------	---------

It was an emergency due to a break down of electrical transformer

Roga Motors

783,743	279,998
---------	---------

The municipality engaged with the garage to provide the petrol as and when required. Only garage agreed to help the municipality with Petrol.

Vryheid Petroleum

-	266,275
---	---------



The municipality was utilising the petrol services from Vrypet for the past few years without following the proper supply chain management policy and the deviation has been filled for the transaction incurred for the year under review for the supply of petrol and diesel to eDumbe Municipality.



University of Pretoria

-	317,250
---	---------

The municipality advertised for the provision of minimum competency training but no training provider responded. The municipality then engaged University of Pretoria to provide the training

Accomodation and other

822,759	893,332
---------	---------

The municipality could not be able to obtain 3 qoutation on the accomodation expenses due to the venues (location) of the meetings attended by the municipal delegateds as well as the condition of the hotels. The municipality also couldn't able to obtain three quotation for the advertisement on local nwespapers. The municipality is using Vryheid Herald and Isolezwe for advertising. The other expenses are minor breaches where three quotations were not obtained.

MIG Projects Expenditure

5,819,839	822,789
-----------	---------

The appointed contractors for some of the projects from 2011/2012, 2012/2013 and 2013/2014 failed to complete the projects they were tasked to do and the municipality had to ensure that the service delivery is not affected by their failure. Due to time constraints and unspent grant issues the municipality used SCM regulation 36 to deviate from normal SCM processes of advertising to get the new companies to finish of the projects.

RB Project Management

-	499,436
---	---------

Impractical and impossible to follow scm processes due to time frame

Nankhoo and Associates

428,396	491,400
---------	---------

Supporting documents for appointment of the consultant was not located. Only the appointment letter was located and the proof of whether the process was followed or not could not be provided the it was therefore agreed to disclose as irregular.



AON Insurance

-	51,692
---	--------

Impractical and impossible to follow scm processes or to obtain at least 3 quotations because the municipality was adding the items on the existing insurance policy.

Shisalanga

-	32,604
---	--------

It was an emergency due to a break down of electricity. Electrical material were needed urgently to fix electricity

Imalini Trading

-	39,900
---	--------

Impractical and impossible to follow scm processes or to obtain at least 3 qoutations

SYCO Machinery

-	5,911
---	-------

Impractical and impossible to follow scm processes or to obtain at least 3 qoutations

Siyabonga Africa

-	66,000
---	--------

Impractical and impossible to follow scm processes or to obtain at least 3 qoutations due to time frame

Ihlathi Transport

-	874,496
---	---------

One of its director is in service of the state

ARB Electrical

-	72,142
---	--------

They were the only service provider responded to the quotation.

SABC

90,356	-
--------	---

Sole service provider used by the municiplaity to communicate with community. Ukhozi FM was then used.

Mafunisa Consulting

563,500	-
---------	---

The municipality had to act swiftly due to the circular sent by National Treasury for the minimum competency levels for managers. There was no time

to follow all procurement process due to the exemption period granted to eDumbe Municipality.

BTMN Engineering Consultants

7,668,120	-
-----------	---

The municipality had a backlog on the electrification and Council decided to engage the consultants on a risk bases to assist the municipality to seek funding for the electrification projects. Three consultants companies were appointed and BTMN Engineering was lucky to get the funding for the municipality. The BTMN Engineering were then become the implementing agents of the projects identified by Council. It was then impractical for the municipality to start afresh the SCM processes.

PMB TV Video Repairs Centre

160,000	-
---------	---

Due to emergency for buglary in municipal bulding, the municipality had to enforce the security controls.

Ingonyama Security

1,542,480	-

The company was appointed through the bidding process however the problem is that the Bid adjudication did not recommend any company to be appointed by the Accounting Officer but Ingonyama Security was appointed.

41    Distribution losses

Electricity

Number of consumers ( Residential & Commercial )

2,921	3,139
18,316,2	17,853,

Units purchased. ( kwh )

Units sold ( Total )

51

954

8,889,101

16,028,365

9,427,150

-

Units own use (Municipal billing)

2,584,544

-

Units lost in Distribution

6,842,605

1,825,589

% Lost in distribution

37.36%

10.23%

Total Costs ( Expenses )

9,866,782

8,529,030

Cost per unit purchased

0.53

0.47

Total cost lost through distribution

3,642,335

848,934



42 Related parties

RELATED PARTY BALANCES

Councillor RC Gevers & IAT Mbatha has a financial interest in which they owe eDumbe Municipality

Trade Receivables

10,694

6,846

Amounts included in trade receivables regarding related parties relate to amount owed by Cllr RC Gevers and IAT Mbatha.

Trade Payables

448,083

-

Amount included on General expenses relates to the related party for ZDM Shared Service for Planning departments

RELATED PARTY TRANSACTIONS

## Remuneration of Councillors and Key management

Details of remuneration of Councillors and key management are disclosed in note 27 and in note 33.

No benefits were paid to spouses and dependents of key management or Councillors.

### 1. Transactions

10,694

6,846

Services charges from related parties amount owed by Cllr RC Gevers and IAT Mbatha

### 2. Transactions

3,180

22,464

Cllr Ronnie Gevers has a company and the municipality has traded with his company during 2013/2014 financial year.  
The name of the company is Forest Pro.

3. Transactions

448,083

-

The municipality is sharing the resources with other municipalities within the Zululand District Municipality for the planning department. The Shared services involves all five local municipalities within Zululand District Municipality.

43 Contingent liabilities

Claim for damage - Cox and Partner

3,500,00  
0

The Municipality is being sued by Cox and Partner for collection of debtors. Council is contesting the claim based on legal advice. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled by paying an amount of R 3 500 000 inclusive of legal costs.

Claim for damages - AMT Putini

780,305

Mr AMT Putini instituted proceedings in the Bargaining Council challenging his suspension in 2010 by Council. The award was for the municipality to pay the claimant an amount of R R480 305.46. The Council has challenged the award and currently the Council attorney are currently dealing with the matter. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from R 480 305.46 plus an amount estimated at R150 000 for Mr AMT Putini's attorneys. The contingent liability also includes legal costs of R 150 000 for Council.

Guarantee with Eskom

530,000

The Municipality has call account amounting R530 000 has been invested with First National Bank as guarantee for Eskom licence

Mthembu and Sons

3,150,00

0

The municipality is being sued by Mthembu & Sons who claimed that they have done the job for the municipality which amounts to R 3 000 000 for gravelling of Rural roads. Mthembu and Sons was appointed by former Speaker of the Council, Councillor Mncube and supply chain management procedures were not followed. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from R 3 000 000. The contingent liability includes legal costs of R 150 000. The court date has not been set.

Mthembu and Sons

3,119,23  
6

The municipality is being sued by Mthembu & Sons for the service they rendered to the municipality was given a contract for gravelling road that totals to R2 969 236.02 but they have not performed the work. Mthembu & Sons want to be paid R2 969 236.02 because he has the contract with Municipality. Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from R 2 969 236.02. The contingent liability includes legal costs of R 150 000. The court date has not been set.

MSN Investment

123,906

The municipality is being sued by MSN Investment who claimed that he was appointed by the then Acting Municipal Manager verbally to continue

working for eDumbe Local Municipality for the finalisation of the Annual Financial Statements. MSN Investment is claiming R73 906.25 for the work performed. The contingent liability includes legal costs of R 50 000

Ihlathi Transport CC

2,000,000

The municipality is being sued by Ihlathi Transport CC for the service rendered to the municipality. Ihlathi Transport is demanding outstanding payment of R1, 9 million from the municipality for services rendered. Ihlathi Transport CC has not issued summons but the matter has been referred to the court . The contingent liability includes legal costs of R 100 000.

PMPZ Construction

607,860

The municipality has been threatened PMPZ Construction to institute legal proceedings for unpaid balance arising from a contract awarded to them. The company was doing Construction services for MIG projects and the contract was cancelled by the Municipality. The total amount the municipality will be liable should they continue with the matter and wins it is R 457 859.85 . The contingent liability includes legal costs of R 100 000.

Swatilelihle

4,050,44  
8

Swatilelihle is suing the municipality for an amount of R 3 800 447.51 for unpaid invoices arising from a contract. The contingent liability includes legal costs for plaintiff of R100 000 and the legal cost for the municipality of R 150 000.

Lime Distributors

423,258

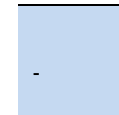
Lime Distributors is suing the municipality for unpaid invoices for goods delivered in terms of the Cession Agreement with Swatilelihle. Lime Distributors is suing the municipality for an amount of R 223 257.60. The contingent liability includes legal costs for plaintiff of R 100 000 and the legal cost for the municipality of R 100 000.

Natal Richards Bay Hire CC

811,279

Natal Richards Bay Hire CC is suing the municipality for R 411 279.05 together with interest for failing to pay monies due to it in terms of the contract. The contingent liability includes legal costs for plaintiff of R200 000 and the legal cost for the municipality of R 200 000.

Wage Collective agreement 2010



The is possiblitiy contingencies arising from pending litigation on wage curve agreement. On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation; Therefore it is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation



During the current current year the municipality could not pay off the instalments for the loan due to DBSA, Debtor collection rate was very low and conditional grants could not be backed up by cash in the bank. The liquidity ratio for the municipality is below one which means the municipality is not able to pay its creditors as they fall due, however, because at year end, the municipality is in a net asset position, the municipality is deemed to be a going concern. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. This is further mitigated by the fact that National Treasury will still be funding municipality activities, wuth no evidence of intention to withdraw financial support.

#### 45 Risk management

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk, liquidity risk, market risk relating interest rate risk.

#### 47 Credit risk .1

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high

quality credit standing and limits exposure to any one counter-party.

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit risk exposure in respect of the relevant financial instruments is as follows:

Cash and Cash Equivalents	1,464,739	2,385,903	-	-
Trade and Other Receivables transactions	1,637,482	9,501,908	-	-
Other				
Maximum credit exposure	3,102,221	11,887,811		

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an on-going review of future commitments and credit facilities. Unspent Grants are cashed back. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into amounts due within the 12 months after financial year end. The amounts disclosed in the table are the contractual undiscounted cash flows.

Payables and other payables	13,591,210	7,986,287	-	-
Other				
Maximum liquidity exposure	13,591,210	7,986,287		

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

Cash and cash equivalents	1,464,739	2,385,903	-	-
Maximum interest exposure	1,464,739	2,385,903		

The comparison of the Municipality's actual financial performance with that budgeted is set out in the face with reason for variances

47 In-kind Donations and Assistance

The Municipality received the following in-kind donations and assistance

Public contributions and donations

Public contributions – Conditional

-	92,893
-	-
-	33,500
-	126,393

Public contributions – Unconditional

Donations

Total public contributions and donations

48 Additional Disclosures in terms Of Municipal Finance Management Act

48

.1 Contributions to organised local government

Opening balance

167,032

167,03  
2

Council subscriptions

450,000

-

Amount paid – current

-

-

Amount paid - previous years

-

-

Balance unpaid (included in payables)

617,032

167,03  
2

The amount is included on the accruals raised for 2013/2014 financial year for the membership to SALGA for the municipality.

48

.2 Audit fees

Opening balance

11,725

-

Current year audit fee

1,340,088

1,237,548

Amount paid - current year

(1,294,999)

(1,225,823)

Amount paid - previous years

(11,725)

-

Balance unpaid (included in payables)

45,089

11,725

The municipality paid the previous year balance as well as the current year invoices in full during the year

48

.3 VAT

VAT input receivables and VAT output payables are shown in note 12. All VAT returns have been submitted by the due date throughout the year via e-filing. Due date for e-filing is the last day of the month

48

.4 PAYE and UIF

Opening balance

349,310

-

Current year payroll deductions

4,911,21  
1

4,003,7  
03

Amount paid - current year

(3,734,5  
18)

(3,654,  
393)

Amount paid - previous years

(349,310  
)

-



Balance unpaid (included in payables)

1,176,69  
3

349,31  
0

The balance represents PAYE, SDL and UIF deducted from the April 2014, May 2014 and June 2014 payroll. These amounts were paid during July 2014. The amount for R349 310 was not paid for June 2013 and it was part of the accrual raised in 2012/2013.

48

.5 Pension and Medical Aid Deductions

Opening balance

612,878

-

Current year payroll deductions and Council Contributions

5,953,41  
7

5,197,7  
79

Amount paid - current year

(5,130,5  
31)

(4,584,  
900)

Amount paid - previous years

(458,668  
)

Balance unpaid (included in payables)

977,097

612,87  
8

The unpaid balance represents pension and medical aid contributions deducted from employees in the May 2014 and June 2014 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2014. From 2012/2013 there is an amount which remains as unpaid for R154 211. This amount will be investigated by the municipality and be paid or written back to the vote depending on the outcome.

48

.6 Councillor's arrear consumer accounts

Cllr RC Gevers and Cllr IAT Mbatha had arrear accounts outstanding for more than 90 days at 30 June 2013. The ageing for Cllr Gevers shows an amount of R 1 487.85 outstanding for more than 90 days while the account for Cllr IAT Mbatha shows an amount of R 5 629.00 outstanding for more than 90 days.

48

.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No non-compliant with MFMA the municipality is aware off

49 Events after the reporting date

No events after the reporting date were identified by management that would affect the operations of the entity or the results of those operations significantly.

50 Change in accounting estimates

During 2012/2013 the municipality engaged Aziye Consulting to estimate the employee benefit amount as per GRAP 25 and they estimated retirement benefit at R 7 783 653 as at 30 June 2013. The Actuaries report for 2013/2014 financial year was done by ZAQ Consultants. They have done the Employee retirements benefit estimate retrospective which has cause the change in estimates from R 7 783 653 to R3 835 000 on the opening balance figure (2012/2013 financial year closing balance) .

Retirement Benefit Obligation

Previo  
usly  
stated

Currently  
stated

Adjust  
ment

7,783,6  
53

3,835,00  
0

(3,948,  
653)

Balance previously reported 2013

7,783,6  
53

Reversal of amount previously reported

(7,783,  
653)

Post retirement medical subsidy

2,769,0  
00

Long Service Awards Liability

1,066,0  
00

Restated Retirement benefit 2013

3,835,000